Verification, Updating, and Corrections

> *By the end of this session, you will be able to:*
>
> - *identify which students are subject to verification,*
>
> - *perform verification,*
>
> - *handle updating of and corrections to students' output documents, and*
>
> - *handle conflicting information in a student's file.*

VERIFICATION AND TITLE IV PROGRAMS

What is verification?

PW 2

- **Verification** is the process of checking the accuracy of information supplied on the Free Application for Federal Student Aid (FAFSA). (OH 1)

  1

- This is important to reduce fraud and abuse and ensure the integrity of the federal student financial aid programs.

- The financial aid office handles verification.

What will you have to do?

- First, check the information from the student's Student Aid Report (SAR), SAR Information Acknowledgement, or Institutional Student Information Record (ISIR) against key support documents—primarily tax returns and a verification worksheet.

- Then determine the total dollar value of any errors. Based on this amount, you may either then pay the student or require that corrections be made to the SAR, SAR Information Acknowledgement, or ISIR.

Instructor's Notes

During this session, we're not going to cover all the aspects of verification in detail. Rather, I'm going to give you an idea of what verification is in general terms. This will allow you to accurately perform verification under "the best circumstances." That is to say—in a situation where a student brings you all the right documentation on time, you perform the verification, and find that everything is correct. And, in actuality, many financial aid administrators find this to be the case much of the time.

But because life isn't always perfect, **you will need to read** *The Verification Guide* **later**. There are a number of situations addressed there—such as when a student does not have a tax return—that you will need to know how to handle sooner or later. In your Workbook, we have listed the most important verification-related issues so that you know what you need to read about later. During breaks, feel free to look at the copy of *The Verification Guide* that we have on the reference table.

You can do a number of things to ensure that verification goes smoothly. First, counsel students well about the application process. If a student fills out the FAFSA correctly, the verification documents will match the student's output document, and verification can be completed in very little time. (OH 2)

2

Second, by informing students from their first visit to the financial aid office that they should be prepared to bring in tax returns, the process of actually getting documents turned in when you need them becomes a little easier.

Some schools that don't mind verifying every student require tax returns from anyone who wants to receive financial aid. This tends to solve the problem of getting tax returns submitted on time because you require them at the outset, and you make clear to students that without the appropriate tax forms they won't receive financial aid. It's amazing what a great motivator this is!

Instructor's Notes

However, if you take this approach it locks you into verifying everyone, since adding tax forms to students' files creates potential for conflicting information. In other words, with two different documents in the school's possession—even if the documents are in different offices—two different amounts of income could be listed on the documents. If this happened and was ignored, you could possibly end up having to return some federal money that you should not have paid to that student.

So, you see, there are a number of things to consider when deciding what approach you want to take with verification. As with many aspects of running a financial aid office, you might want to ask the financial aid administrators (FAAs) at some other schools what they do and what works for them.

Before I go on, do you have any questions?

Okay, without going into any more details right now, I'd like you to try a sample verification so you can understand the process. I think you'll see that verification is a relatively easy task. In fact, sometimes the hardest part about verification is getting your students to submit their tax returns. After you finish, we'll review what you found and then cover a few additional verification issues.

In your Workbook, beginning on page 8, you will find Chris's SAR and supporting documentation—her parents' tax return and a completed verification worksheet. Using this information, you will complete verification as you would if Chris were a student at your school. It might help to take pages 8 through 13 out of your Workbook to work on them. [IG, pgs. 15-21]

To make your job a little easier, we have created a "verification working paper" on page 7. This is an example of a type of financial aid office tool that financial aid administrators might use to make one of the many day-to-day financial aid tasks a little easier—in this case verification. [IG, pg. 15]

PW 8

PW 8-13

PW 7

ED does not usually provide forms of this type for schools, as processes at schools can vary substantially, and it would be difficult to create one form that satisfies the needs at all schools. Nevertheless, you will soon find that you create a number of forms to help you run your financial aid office. Here, again, is a reason to visit other financial aid offices and take a look at the forms they use. Most FAAs would be glad to let you take some of their forms and modify them to suit your needs. In fact, some association meetings facilitate a way to share forms for this very reason.

Now, look at the verification working paper together with Chris's SAR on page 8. What you are going to do is find the line items entered on the SAR and write them on the corresponding lines in the center column of the verification working paper. Some SAR line items show two numbers separated by a slash on the verification working paper. The first number indicates the item as reported by the student or spouse; the second as reported by the parent(s). Remember, this parallels how the FAFSA is constructed.

Next, look for the corresponding item on the source document and enter that number in the right column of the verification working paper. If the two figures match, put a check mark in the narrow column for that item. The first line, household size, has been done for you.

Also, put a check mark for items that you don't have to verify for Chris. This way, you can quickly see those items that do not match, which will be those with no check marks, and calculate the total dollar difference of those items to see if corrections must be reprocessed for Chris. Notice at the bottom on the right there is a $400 error allowance. I'll describe this more when we review Chris's verification, as well as the status codes that you see to the left.

Any questions? I'll check with you in 15 minutes to see if Chris passed verification.

» Allow participants 15 minutes to complete the verification working paper.

PW 8

Note to Instructor:
Only the information summary of Chris's SAR has been included. A complete sample SAR is found in Session 14.

Instructor's Notes

Reviewing Chris's worksheet allowed you to cover five major verification elements—required verification items, acceptable documentation, status codes, corrections, and the $400 tolerance.*

Did Chris pass verification? No. Let's review Chris's verification working paper and find out why she did not pass. [IG, pg. 22]

PW 7

First, make sure you have completed the top part of the verification working paper. This will go in Chris's file to show that you did verification. Her name, SSN, and dependency status (dependent) should be filled in at the top. Circle "1040A" for her parents on the left, and draw a line through the returns for the student on the right to indicate that Chris did not file a tax return.

Now notice the items in the left column. These are the required verification items. There is a clarification for Social Security benefits and child support that you should note.** In addition, *The Verification Guide* explains situations when, technically, you don't have to verify household size and number in college. It's usually just as easy to go ahead and verify these two items.

The only time that earnings for student, spouse, mother, and father have to be verified is when any of those individuals is not required to file a tax return but earned some money from work.

Do you have any questions on **what** you verify?

As far as **how** you verify—in other words, the acceptable documentation—you see that the right-hand column indicates that the main source documents are either signed tax return(s) or the verification worksheet. You may gather equivalent statements that confirm the same information without using the worksheet, but the worksheet is a convenient means of ensuring that you have obtained all necessary verification data.

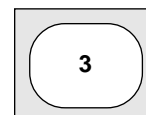|	**Instructor's Notes**
■ Blank verification worksheets—for dependent and independent students—are usually provided to you each year in a "Dear Colleague" Letter. The 1998-99 worksheets were provided in Action Letter #3 - (GEN 97-13), November 1997. We have included a set for you on pages 14 through 17 of your Workbook.	*PW 14-17*
Now, to determine if Chris passes or doesn't pass verification you look for items that do not match. What you should have found is that there is a $200 discrepancy in the income reported on the SAR and the amount on the parents' 1040A. You also found that Chris reported $369 as Income Tax Paid from the SAR, but Line 25 on the 1040A reported $69 as actual Income Tax Paid. You found out, in talking to Chris, that she wrote the Income Tax amount withheld from her parent's W-2 form instead of the 1040A. After subtracting the Parent Income Tax Paid from the AGI in each column, you then compared the two totals and found there was a $500 difference.	*PW 7*

You cannot use the **tolerance option** because the difference is higher than $400. Since corrections to her SAR were needed, you circled "R" (for reprocessed) for the verification status code at the bottom of the working paper.

The status code must also be indicated with the student's payment information that you submit to ED. All of the codes are explained in detail in *The Verification Guide*. You will need to carefully review this section so that the correct code is indicated for each student you verify. You would not be able to pay Chris until you receive the reprocessed SAR.

If there had been no errors in a non-dollar item (such as household size) and the net error of all dollar items was $400 or less, you would have been able to leave Chris's SAR as it was and go ahead and process her financial aid. You would have circled the letter "T" on the working paper, which stands for tolerance option.

Instructor's Notes

If the student is receiving **campus-based aid** or a **Direct Loan** or **FFEL loan**, but not a Pell Grant, you may recalculate the EFC, determine the aid amounts on the basis of the new EFC, and pay accordingly. (OH 3)

3

Note to Instructor:
We'll cover calculating EFCs in Session 16.

If you don't choose to do a hand calculation, you may ask the student to make corrections and wait until a new EFC comes back from the processor, as you would for Chris. A major reason you might prefer this option is that if you do a hand calculation incorrectly and any aid is disbursed using the incorrectly hand-calculated EFC, the school would be liable for those funds.

If a **Pell Grant** is involved, you must have corrections processed and recalculate the Pell award, unless the hand calculation shows that the student's award will stay the same as the original amount.* Again, you are liable for any awards made based on an incorrect calculation.

*If an award comes out higher, the school has the option of not correcting it and paying on the original (lower) amount.

Finally, you would want the person who did the verification to sign and date the form before placing it in the student's file. Are there any questions?

Now that you have an understanding of what verification is, let's take a look at a few of the most important details concerning verification.

TITLE IV PROGRAMS SUBJECT TO VERIFICATION

The programs that are subject to verification are: *PW 2*

■ the Federal Pell Grant Program;

■ the campus-based programs: FSEOG, Federal Perkins Loan, and FWS;

■ the Federal Direct Subsidized Loan Program; and

■ the subsidized Federal Stafford Loan Program.

For example, a student whose only Title IV aid is an unsubsidized loan would not be subject to verification.

	Instructor's Notes

HOW APPLICATIONS ARE SELECTED FOR VERIFICATION

There are two ways in which aid applications can be selected for verification:

PW 2

■ by ED's Central Processing System (CPS) **or**

■ by you, the school.

When the CPS processes the FAFSA, it will show that an application has been selected for verification by placing an asterisk to the right of the Expected Family Contribution (EFC).

Asterisks also appear on ISIRs.

Even though Chris was not selected for verification by the CPS, she was chosen for verification by the school. Schools may select any application for verification, as long as it is done in accordance with consistently applied school policies and procedures.

If you select an application for verification, you may verify any data element you choose. This means that you may decide that you need to verify any one or any combination of the normally required or optional verification items.

30% VERIFICATION OPTION

Although I mentioned that you may choose to verify all of your Title IV recipients, the good news is that you only **have** to verify up to 30% of your total applicant pool. ED leaves the definition of "applicant pool" up to you, as long as you have your definition in writing and apply it consistently.

If more than 30% of your pool is selected by the CPS, you may stop verifying after you reach 30%. In fact, one of the verification status codes we mentioned is "S," for selected but not verified. You would use this code for those students you did not verify because it would have caused you to go beyond the required 30%.

Instructor's Notes

If fewer than 30% of your pool is selected, you only have to verify the number selected.

It is important to note that only students selected for verification by ED can count toward your 30%. Students you select do not count toward the 30% amount.

The Verification Guide explains this and includes some examples to help you understand.

VERIFICATION EXCLUSIONS

In certain extenuating circumstances, a selected application may be excluded from verification, or it may be exempt from some of the verification requirements. Be sure to look at that section later in *The Verification Guide*.

PW 3

VERIFICATION VS. CONFLICTING INFORMATION

Schools must establish systems to ensure that information related to students' applications for federal student aid is consistent. (OH 4)

4
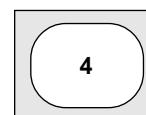
Schools **must** resolve any applicant data that are known to be in conflict or inconsistent with school records **before** any federal student aid is disbursed. Resolving conflicting information is separate from verification. You must resolve the conflict whether or not the student is selected for verification.

Schools are liable for any disbursements or delivery of Title IV funds made before conflicting information is resolved.

DISCRETIONARY VERIFICATION ITEMS

In addition to the required data items, you may choose to verify any other information on the aid application, and you may require any documentation that seems reasonable.

Instructor's Notes

■ This must be done according to consistently applied, written school policies and procedures.

HANDLING AWARDS WHILE VERIFICATION IS IN PROGRESS

When we say that a Title IV program is "subject to verification," we mean that until verification is completed there are restrictions on delivering financial aid from that program.

PW 3

You have the authority to withhold disbursement or delivery of **all** of a student's federal student aid funds until verification is complete.

■ If schools choose to withhold funds, the chances of overpayments and school liabilities are reduced.

On the other hand, you may choose to disburse and deliver a student's aid before verification is completed **unless:**

■ you have any reason to believe that the information on the application is inaccurate **or**

■ you have conflicting or inconsistent information.

There are **specific disbursement limits** if you decide to disburse and deliver aid before verification is completed. These are fully explained in *The Verification Guide*.

If the required verification is never completed, or if the data on which the awards were based are incorrect, the school may be liable in various ways for any interim disbursements.

■ For example, if you make a first Pell Grant disbursement to a student who never completes verification, you must repay the Pell funds, regardless of whether you can collect repayment from the student.

COMPLETING VERIFICATION

For Pell recipients, a student has completed verification when the application data are proven correct or have been corrected. In addition to all verifying documentation, the school must have on file a final valid output document from ED's CPS showing the official EFC. (OH 5)

For campus-based and loan program recipients, a student has completed verification when all requested documentation is submitted to the school. But if the submitted data are contradictory, verification is **not** complete. In addition, the school must have on file an ED output document that shows the student's applicant data passed through the CPS at least once.

On completing verification, if you find no errors, you are free to begin delivering and disbursing aid to the student. If there are errors or conflicts, you proceed as we discussed earlier.

DEADLINES AND THE 60-DAY VERIFICATION EXTENSION

For Pell Grant recipients, final, valid output documents must be submitted to the school by students no later than 60 days after students' last day of enrollment **or** August 31, 1999, whichever is earlier.*

For students to qualify for this "60-day extension," they must have submitted initial, valid output documents by August 31, 1999 **or** by their last day of enrollment, whichever is earlier. In addition, they must have been selected for verification but have been unable to complete it before finishing their classes.

However, you must pay the student on the basis of the highest EFC calculated for that student, even if it is the original, incorrect EFC.

PW 4

5
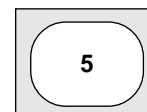
*The actual date differs each award year according to the calendar. The specific date is published in the *Federal Register* each year.

	Instructor's Notes
	PW 4

■ For example, let's say a student with an original EFC of 1000 reported more income than was required. If, based on the correct income, the EFC goes down to 300, but the student submitted the reprocessed SAR after the last day of classes, you must go back and calculate the Pell Grant award on the basis of the original EFC of 1000. In other words, a student cannot take advantage of the 60-day extension to get a higher Pell Grant award. I know this sounds unusual, but it is what the regulations specify.

A student who does not complete verification forfeits a Pell Grant award, including any interim disbursement that was made.

For the campus-based programs and subsidized loans, verification deadlines are set by the school. Schools must have written policies explaining their deadlines.

UPDATING

Some data items might have changed since the time the application was submitted. This is quite different from an error—it is solely a question of updating. (OH 6)

PW 5

6

Selected students are required and allowed to update only three data items:

■ dependency status,

■ household size, and

■ number enrolled in postsecondary institutions.

There is one major exception—none of these items may be updated as a result of a change in the student's marital status. In addition, dependency status cannot be updated for a previously certified Direct Loan or FFEL Program application.
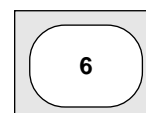
Note to Instructor:
If a student is not selected for verification, household size and number enrolled in postsecondary institutions cannot be updated.

	Instructor's Notes

SIGNATURE REQUIREMENTS

To help you with the various signature requirements that apply to verification-related documents, we have included a chart on page 6 of your Workbook. [IG, pg. 23]

PW 6

BACK AT THE OFFICE

Please turn to page 18 of your Workbook.

PW 18

We have identified several things that you should do later to continue learning about verification and to ensure that you handle this important part of the student aid process efficiently and correctly. As I go through the list of items, think of anything else that would be helpful and we'll add it to the list at the end.

1. Read *The Verification Guide*. This will be a good refresher for the things we covered in this session as well as providing important details and introducing some issues not directly related to verification.

2. Establish written verification policies and procedures. *The Verification Guide* specifies the areas that require consistent policies and procedures. This should be one of your priorities when you get back to your offices.

3. Contact financial aid administrators at a couple of other schools and discuss verification with them. Ask them how they manage this process and what problems they have had, if any. Look over any forms they use to make the process easier and adapt them for your own use.

4. Create forms to help you manage verification, such as the working paper we used in this session. You might find form letters helpful to send out to students asking that they provide missing verification documents. With forms and form letters, you can't always tell what you will need in advance. You'll find that

Instructor's Notes

periodically you need to modify the forms you use and create new ones as different needs arise.

5. Other things. Are there any other things that you plan to do when it comes to verification?

Are there any final questions on verification?

1998-99 VERIFICATION WORKING PAPER

Student:_____ SS#:_____ Dependency Status: _____

Type of return (parent/s): 1040 1040A 1040EZ   Type of return (student/spouse): 1040 1040A 1040EZ

Item Reported (Check box if match or not applicable)		Amount Reported & SAR Line Item	Amount Verified & Source Line Item
Household Size		44/49	Worksheet
Number in College		45/50	Worksheet
Parent Adjusted Gross Income		65	1040-32; 1040A-16; 1040EZ-4
Parent Income Tax Paid		66	1040-46; 1040A-25; 1040EZ-10
Student/Spouse Adjusted Gross Income		53	1040-32; 1040A-16; 1040EZ-4
Student/Spouse Income Tax Paid		54	1040-46; 1040A-25; 1040EZ-10
Student Earnings		55	Worksheet
Spouse Earnings		56	Line items for reference only. 1040-7+12+18 1040A-7 1040EZ-1
Mother Earnings		67	
Father Earnings		68	
Untaxed Income:			
*Social Security Benefits		58/70	Worksheet or SSA statement
**Child Support		60/72	Worksheet
IRA / KEOGH Deductions		***61/73	1040-23+28; 1040A-15
Foreign Income Exclusion		***61/73	IRS 2555-43; 2555EZ-18
Earned Income Credit		57/69	1040-56a; 1040A-29c; 1040EZ-8a
Interest on Tax-Free Bonds		***61/73	1040-8b; 1040A-8b

Non-tax-filers (bracket spanning Student Earnings through Father Earnings)

* Verify if comment on SAR or reason to believe benefits were reported incorrectly or received and not reported.
** Verify if reported or if reason to believe benefit was received and not reported.
*** Combined for this SAR item. Broken out on FAFSA worksheet #2.

Verification Status Code: N   A   W   T   C   R   S   Net error of items not checked: $
                                                                 ($400 or less)

NOTES:

Verification Performed By: Date:

Chris's SAR, page 1

Chris's SAR, page 2

Chris's parents tax return, page 1

Chris's parents' tax return, page 2

Chris's completed verification worksheet, page 1

Chris's completed verification worksheet, page 2

Chris's completed verification working paper

1998-99 Signature Requirements for Application and Verification Information

...general requirements for federal student aid	**Application** (FAFSA, Renewal Application, EDE, FAFSA Express)	**IRS FORMS** 1040 or other form submitted for verification	**Verification Worksheet**
Student	Must sign statement that data are accurate (on application, echo document, or signature page)	Tax return must be signed by student (or spouse) or by the tax preparer (or stamp)	Must sign worksheet
Parent(s) (of dependent student)	At least one parent must sign statement that data are accurate (on application, echo document, or signature page)	Tax return must be signed by at least one parent or by the tax preparer (or stamp)	At least one parent must sign
FAA	Must certify if dependency override is performed		

...additional requirements to receive a Federal Pell Grant	**SAR** to be submitted for corrections	**EDE** corrections	**Professional Judgment** SAR or EDE	**Valid SAR or ISIR**
Student	Must sign corrections statement on Part 2 of SAR	School must have signed documentation		No signature required
Parent(s) (of dependent student)	At least one parent must sign corrections statement on Part 2 of SAR	School must have signed documentation		No signature required
FAA			Must certify for adjustments or dependency override	

Note:

- Statements of Educational Purpose and Overpayment/Default are on the FAFSA and are considered signed when student signs the FAFSA.
- Student's spouse is not required to sign any of the student's financial aid documents.